

Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 FEA-01 ERDA-05 AID-05 CEA-01
CIAE-00 COME-00 DODE-00 EB-08 FPC-01 H-01 INR-07
INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-04 OES-06
SP-02 SS-15 STR-04 TRSE-00 ACDA-07 NSCE-00 SSO-00
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O R 210137Z APR 77
FM AMEMBASSY QUITO
TO SECSTATE WASHDC IMMEDIATE 4004
INFO AMCONSUL GUAYAQUIL

C O N F I D E N T I A L QUITO 2579

FOR DELIVERY OPENING OF BUSINESS APRIL 21

E.O. 11652: GDS
TAGS: EINV, ENRG, PFOR, EC
SUBJECT: GULF-GOE NEGOTIATIONS

1. SUMMARY: GULF-GOE NEGOTIATIONS ON "ACTA" TO SETTLE DECREE 285 BOGGED DOWN ONCE MORE APRIL 19 DUE TO NATURAL RESOURCES MINISTRY'S REFUSAL TO ACKNOWLEDGE THAT CERTAIN ITEMS SHOULD BE COUNTED AS PART OF GULF'S DECEMBER 31 STOCKS. CHARGE DISCUSSED THIS WITH GOE SECRETARY GENERAL GARCES AND THEN WITH FINANCE MINISTER SEVILLA; THEY PROMISED TO BRING DELAY TO ATTENTION OF, RESPECTIVELY, ADMIRAL POVEDA AND GENERAL DURAN. END SUMMARY.

2. LOCAL GULF MANAGER JACK O'BRIEN REPORTED TO EMBASSY APRIL 20 THAT GULF HAD MET PREVIOUS EVENING WITH OFFICIALS FROM CEPE AND THE DIRECTORATE-GENERAL OF HYDROCARBONS (DGH, IN THE NAT-RES MINISTRY) TO DISCUSS SPECIFICS OF "ACTA" TO SETTLE DECREE 285. MAJOR CONTENTION WAS INSISTENCE BY DGH TECHNICIAN THAT THE GOE COULD NOT ACCEPT GULF'S FIGURES FOR PETROELUM STOCKS IN THE SECONDARY LINES, THAT SUCH A FIGURE WAS IMPOSSIBLE TO MEASURE, AND THAT THEREFORE THE GOE CONSIDERS THE FIGURE TO BE ZERO. O'BRIEN
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SAID THIS WOULD REDUCE GULF'S ACCREDITED STOCKS BY SOME 126,000 BARRELS, AND NOT ONLY WOULD EXCUSE CEPE FROM ANY PAYMENT FOR THIS PETROLEUM IN GULF INVENTORY, BUT ALSO WOULD RAISE GULF'S OBLIGATIONS TO CEPE BY THAT AMOUNT. O'BRIEN ADDED THAT, IF GULF WERE TO ACQUIESCE IN THIS DGH POSITION, THERE WOULD BE ADVERSE CONSEQUENCES ALSO FOR TEXACO, AND TEXACO MIGHT EVEN THEN BRING SUIT AGAINST GULF. O'BRIEN CHARACTERIZED THE DGH'S POSITION AS "TOTALLY UNREASON-

ABLE."

3. CHARGE AND E/C COUNSELOR MET WITH GOE SECRETARY GENERAL FOR ADMINISTRATION (AND POVEDA'S CONFIDANT) HUGO GARCES AFTERNOON OF APRIL 20 TO DISCUSS THIS TURN OF EVENTS. CHARGE EMPHASIZED THAT THE AMBASSADOR WAS PLANNING TO DISCUSS ECUADOREAN SECURITY CONCERNS IN WASHINGTON THIS WEEK (INCLUDING THE GOE'S REQUEST FOR A DESTROYER) AND THE AMBASSADOR HAD BEEN ASSURED PREVIOUSLY BOTH ADMIRAL POVEDA AND BY GENERAL DURAN THAT ALL OBSTACLES HAD BEEN OVERCOME AND THAT THE GULF AGREEMENT WOULD BE SIGNED WELL BEFORE THE DATE OF THESE DISCUSSIONS. THE CHARGE COMMENTED THAT THE UNWARRANTED DELAY IN SIGNING THE AGREEMENT COULD ONLY UNFAVORABLY PREJUDICE THE DISCUSSIONS ON SECURITY TRANSFERS. THE CHARGE ADDED THAT GULF'S PATIENCE MUST SURELY BE RUNNING OUT.

4. CHARGE, E/C COUNSELOR, AND PETROLEUM OFFICER THEN MET WITH FINANCE MINISTER SANTIAGO SEVILLA TO EXPRESS CONCERN ABOUT THE NEW DELAYS AND THE APPARENT INABILITY OF DGH TECHNICIANS AND OTHER MID-LEVEL GOE OFFICIALS TO MAKE ANY DECISIONS REGARDING DECREE 285. THE CHARGE REITERATED THAT POINTS MADE TO GARCES REGARDING ECUADOREAN SECURITY MATTERS AND EMPHASIZED THAT THE 285 "ACTA" WAS IN NO WAY A PREREQUISITE TO THE SIGNING OF THE GULF-GOE AGREEMENT.

5. SEVILLA SAID HE WAS UNAWARE OF THE REASONS FOR THE DELAY, AND HE WAS CLEARLY ANNOYED AT THE NEWS THAT MID-LEVEL GOE OFFICIALS WERE BLOCKING THE AGREEMENT. HE SAID HE WAS VERY ANXIOUS TO SIGN THE AGREEMENT, SINCE GULF WAS STILL WITH- HOLDING SOME \$80 MILLION IN NEEDED GOE REVENUES, AND THE EFFECTS OF THE PRODUCTION CUTBACKS
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ON ECUADOR'S BALANCE OF PAYMENTS AND BUDGET HAD BEEN DISASTROUS DURING THE CY 1977 FIRST QUARTER. SEVILLA TRIED TO TELEPHONE DURAN IN THE PRESENCE OF THE EMBOFFS, BUT THE GENERAL WAS UNAVAILABLE. SEVILLA ASSURED THE EMBOFFS THAT HE WOULD CONTACT DURAN EARLY APRIL 21 AND WOULD REPORT BACK TO THE CHARGE.

6. EMBASSY IS INFORMING LOCAL GULF REPRESENTATIVES OF THE ABOVE.
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Message Attributes

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